

BEFORE THE
POSTAL RATE COMMISSION

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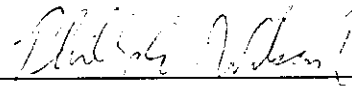
POSTAL RATE AND FEE CHANGES, 2000

DOCKET NO. R2000-1

FOURTH SET OF INTERROGATORIES AND REQUEST FOR
PRODUCTION OF DOCUMENTS FROM UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS ROBINSON
(UPS/USPS-T34-5 through 10)
(February 15, 2000)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby serves the following interrogatories and request for production of documents directed to United States Postal Service witness Robinson: UPS/USPS-T34-5 through 10.

Respectfully submitted,



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Of Counsel.

INTERROGATORIES OF UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS ROBINSON

UPS/USPS-T34-5. Refer to the attached article on a contract awarded to TIC Enterprises, LLC ("TIC"), by the Postal Service (labeled Attachment to UPS/USPS-T34-5).

- (a) Produce a copy of the contract.
- (b) For the initial term of the contract, provide by year the amounts that the Postal Service is obligated to pay, or expects to pay, TIC under the contract.
- (c) Are the amounts of the payments to TIC under the contract dependent on any measure or estimate of additional volume or additional revenue realized by the Postal Service as a result of the contract? If so, provide the formula or formulas for determining the amounts to be paid to TIC.
- (d) Provide by year and class, subclass, or type of mail, or to the greatest extent of disaggregation possible, the amounts the Postal Service is obligated to pay, or is expected to pay, to TIC under the contract.
- (e) Provide the cost to the Postal Service in the Test Year of the "dedicated sales force that will be bringing the USPS' Priority Mail [and] Express Mail . . . to small- to medium-sized businesses" that is referred to in the article.
- (f) Are there members of the "dedicated sales force" which devote their time exclusively to marketing Priority Mail? If so, provide by fiscal year the cost to the Postal Service of that part of the "dedicated sales force."
- (g) Are there members of the "dedicated sales force" that devote their time exclusively to Express Mail? If so, provide by fiscal year the cost to the Postal Service of that part of the "dedicated sales force."

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(h) Are there members of the “dedicated sales force” who devote their time exclusively to both Priority Mail and Express Mail? If so, provide by fiscal year the cost to the Postal Service of that part of the “dedicated sales force.”

(i) Are any of the costs of the TIC contract attributed to either Priority Mail or Express Mail in the base year, or in any other year through (and including) the Test Year? If so, indicate by year and by class of mail the amount of costs so attributed to Express Mail and/or Priority Mail.

(j) The article states that the contract award to TIC “follows a successful 18-month pilot program in which TIC marketed these products in the Los Angeles and San Francisco areas.” State the dates of the pilot program, and indicate whether any of the costs of the pilot program were attributed to either Express Mail or to Priority Mail. If costs were attributed either to Express Mail or to Priority Mail, state the amount that was attributed by year.

UPS/USPS-T34-6. Refer to the attachment (labeled Attachment to UPS/USPS-T34-6), which refers to the Postal Service’s joint advertising campaign with Amazon.com and in which Postmaster General Henderson is quoted as stating that “The cost of the effort is ‘several million dollars. . . .”

(a) Identify the cost segment in which the costs of this campaign are included.

(b) Are all of the Postal Service’s costs incurred in this campaign attributed to Priority Mail? If not, state (i) how those costs are attributed or assigned

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among the various classes of mail, and (ii) how much is attributed or assigned to Priority Mail for each fiscal year in which the program is in effect.

(c) Provide the total costs to the Postal Service of this campaign, by fiscal year.

UPS/USPS-T34-7. Refer to the attachment (labeled Attachment to UPS/USPS-T34-7), which refers to the Priority Mail packaging program.

(a) Provide the total cost to the Postal Service of Priority Mail packaging other than customized packaging (*i.e.*, packaging containing a mailer's logo) for each year from FY 1995 through FY 1999.

(b) In which cost segment and component, and in what account, are these costs recorded?

(c) Are all of these costs attributed exclusively to Priority Mail? If not, for each of the years from FY 1995 through FY 1999, state how much is attributed/assigned to Priority Mail, and how much is attributed/assigned to other classes and services.

(d) Provide the total cost to the Postal Service of customized Priority Mail packaging (*i.e.*, Priority Mail packaging containing a mailer's logo) for each year from FY 1995 through FY 1999, and state what cost segment and component, and the Postal Service account, in which these costs are collected.

(e) Are all of the costs of customized Priority Mail packaging attributed to Priority Mail? If not, state for each year from FY 1995 through FY 1999 how much

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was attributed/assigned to Priority Mail and how much was attributed/assigned to other classes and subclasses of mail.

(f) Provide the Postal Service's estimates of the costs it expects to incur for Priority Mail packaging (other than customized packaging) in FY 2000, and, separately, in the Test Year, and state whether all such costs will be attributed exclusively to Priority Mail. If not, state how much is expected to be attributed/assigned to Priority Mail, and how much is expected to be attributed/assigned to other classes and subclasses of mail.

(g) State how much the Postal Service estimates it will spend on customized Priority Mail packaging in FY 2000, and, separately, in the Test Year, and state whether all of those costs will be attributed exclusively to Priority Mail. If not, state how much is expected to be attributed/assigned to Priority Mail, and how much is expected to be attributed/assigned to other classes and subclasses of mail.

UPS/USPS-T34-8. (a) Provide for the period from January 10, 1999, to the end of FY 1999, and, separately, for the period from January 10, 1999, to the most recent date for which such information is available, the volume of pieces that switched from Priority Mail to First Class Mail as a result of the classification change in Docket No. R97-1 which reclassified pieces weighing more than 11 ounces but not more than 13 ounces from Priority Mail to First Class Mail.

(b) Provide the Postal Service's best estimate of the number of pieces of mail that will shift from Priority Mail to First Class Mail in (i) FY 2000 and, separately,

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(ii) in the Test Year, as a result of the reclassification from Priority Mail to First Class Mail of pieces weighing more than 11 ounces but not more than 13 ounces.

UPS/USPS-T34-9. Refer to the attachment (labeled Attachment to UPS/USPS-T34-9).

(a) Provide the total cost to the Postal Service (including printing, postage, distribution, planning, design, and any other costs) of the program which resulted in Attachment to UPS/USPS-T34-9 being delivered to recipients, and state when those costs were incurred and whether they were attributed/assigned in full to both Express Mail and Priority Mail, indicating the portion attributed/assigned to each. If all such costs were not attributed/assigned to Express Mail and Priority Mail, indicate the portion that was so attributed/assigned and state what classes or subclasses of mail were attributed/assigned the remaining costs.

UPS/USPS-T34-10. Has the Postal Service ever, at any time during the past three years, given computers away for free to large Priority Mail users? If so, provide the total cost of this program separately by year for BY 1998, FY 1999, FY 2000 (estimated), and the Test Year (estimated), and indicate whether the total cost of the program has been and is being attributed in full to Priority Mail.

BW1379 DEC 20, 1999

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(BW)(NJ-NUI)(NUI) NUI Corp. Announces Details of TIC Enterprises' Contract With the U.S. Postal Service

Business Editors

BEDMINSTER, N.J.--(BUSINESS WIRE)--December 20, 1999--NUI Corporation (NYSE:NUI) released the details of a contract awarded to its sales outsourcing affiliate, TIC Enterprises, LLC, by the United States Postal Service (USPS) to market the USPS' priority mail products. In a previous announcement, the Company disclosed that the value of the initial phase of the program, which includes twelve major metropolitan areas, could generate approximately \$700 million in incremental revenue to the USPS over three years. In addition, the USPS has the option to expand the program to as many as 54 additional secondary markets.

The contract has an initial term of three years and the USPS has the option to extend the contract up to four additional years, subject to TIC's success during the initial phase of the program. Assuming a full rollout of all cities and the full seven year life of the contract, TIC estimates it could generate incremental revenue to the USPS of approximately \$500 million by the end of year two and approximately \$500 million per year thereafter.

"We have already begun hiring sales representatives for the major metropolitan areas, which include Denver, Chicago, Boston, Philadelphia, Washington DC, St. Louis, Atlanta and Miami, in addition to the two pilot cities of Los Angeles and San Francisco," said James Greiff, President of TIC. "We expect to hire and train approximately 240 sales representatives for these markets."

Greiff also stated, "While we will start booking business as quickly as possible, it will take approximately one year to get all the sales representatives and technology in place. During the second year, we expect to expand the program to cover the rest of the United States and should have the program fully rolled out by the start of the third year." TIC plans to hire 336 additional sales representatives for the second phase of the program.

Greiff went on to add, "TIC has extensive experience in developing ways of bringing products directly to the customer. The relationships we are able to forge with our customers have played a key role in developing business opportunities for our clients in the telecom business. We will be creating a dedicated sales force that will be bringing the USPS' Priority Mail, Express Mail, Global Priority Mail and Express Mail International directly to small- to medium-sized businesses.

"TIC is assisting the USPS to capitalize on the significant expedited delivery service opportunities represented by the increase in e-commerce. In addition, TIC will be working with the USPS to develop a platform that will enable USPS clients to access a full array of USPS products and services via the Internet."

This award follows a successful 18-month pilot program in which TIC marketed these products in the Los Angeles and San Francisco areas. TIC already provides successful field sales solutions for Lucent Technologies, Nextel Communications, Qwest Communications, many of the Regional Bell Operating Companies and AT&T.

NUI Chief Executive Officer and President, John Kean, Jr., stated, "We join TIC in their excitement about this award and the potential it represents for TIC's future. Earnings from TIC's other product lines should be sufficient to offset the ramp-up costs associated with this program; therefore, we anticipate no material impact on NUI's fiscal 2000 results. NUI's earnings, however, could increase by approximately 50 percent by fiscal 2003, which assumes NUI continues with its current 49 percent equity ownership of TIC." NUI has the option to purchase the remaining 51 percent of TIC starting April 2001, which could further improve these results.

For more than 10 years, TIC has successfully created, managed and expanded national sales forces for Fortune 100 clients. The USPS joins a list of world-class organizations that have chosen TIC to help them grow their businesses, such as Lucent Technologies, Nextel Communications, Qwest Communications and AT&T.

NUI Corporation, based in Bedminster, NJ, owns 49 percent of TIC Enterprises. In addition, NUI operates natural gas utilities serving more than 370,000 customers in six states along the eastern seaboard. NUI also operates businesses involved in wholesale and retail energy sales; energy and environmental project development; energy consulting; telecommunications; and customer and geographic information systems and services.

This press release contains forward-looking statements. These statements are based on our management's current expectations and information currently available and we believe the statements are reasonable and are made in good faith. However, the forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the statements. Factors that may make the actual results differ from anticipated results include, but are not limited to, economic conditions; competition from other providers of similar products; and other uncertainties, all of which are difficult to predict and some of which are beyond our control. For these reasons, you should not rely on these forward-looking statements when making investment decisions. Whenever we use the words "expect," "believe," "project," "anticipate," "intend," "should," "could" or similar expressions, we intend to identify forward-looking statements. We do not undertake any obligation to update publicly any forward-looking statement, either as a result of new information, future events or otherwise.

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Yahoo! News

Tech Headlines

Tuesday September 28 12:36 PM ET

Amazon.com, P.O. Share Ad Campaign

WASHINGTON (AP) - The giant internet bookseller Amazon.com and the Postal Service are launching a joint advertising campaign.

The goal "is to position Amazon.com as the ultimate gift-giving destination and the U.S. Postal Service and Priority Mail as the preferred shipper of leading e-commerce companies," explained postal spokeswoman Judy deTorok.

Postmaster General William Henderson said the project was initiated during a meeting of the postal governing board in Seattle, when officials visited Amazon.com's headquarters to discuss common interests.

The cost of the effort is "several million dollars," a small part of the overall postal advertising budget, Henderson noted.

He said several other companies have approached the post office about similar projects and those discussions are in the early stages.

The campaign, announced today at a national postal convention in Chicago, is the latest of several cooperative efforts launched by the post office and major mail-order firms. Others include Eddie Bauer, Nordstrom and L.L. Bean.

While some television ads have already appeared, the [Postal-Amazon.com](#) campaign is scheduled to expand in mid-October, postal officials said.

They said the two sides share the costs of the ads and the cooperative effort will provide increased efficiency in advertising spending.



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Attachment to UPS/USPS-T34-6

Potter said that the Postal Service does not want a rate case effective in 2000, saying it would be "excessive." Responding to questions from attendees concerning the USPS' recent budget freeze, Potter indicated that it is not a "wholesale" freeze. He stated that the USPS engaged in a process where it reviewed every program to determine if there would be any harm in delaying development until after Y2K. Potter reported that operations alone had 30 exceptions to the budget freeze, so he certainly did not consider it to negatively impact his functional area. He also reported that planned capitol expenditures have been reduced slightly for FY 2000, from \$4.4 billion down to \$4 billion, but that was the only impact on the USPS' capitol expense plan so far.

When asked if the USPS has yet seen any significant improvement in its labor relations as a result of the recent contract settlement with the American Postal Workers Union (APWU), Potter (whose previous position was Vice President of Labor Relations and still oversees that function in his new capacity) reported that there has been an overall decrease in the number of grievances filed by the APWU. Currently, there still are 115,000 grievances backlogged in the system (from all the labor unions), but one case represents nearly 40,000 grievances. Potter further reported that the USPS is working on developing a joint interpretation book on its labor contracts that hopefully will reduce the number of cases that go to arbitration by clarifying interpretation of contract language. He also noted that the process is being changed to put more pressure on managers and union officials to settle grievances at the local level by eliminating some Step 3 appeal avenues. Finally, Potter acknowledged that the USPS has not been as successful in negotiating a contract with the National Association of Letter Carriers (NALC) and is in the process of trying to select an arbitrator. A decision is expected on the NALC contract some time in the summer.

Finally, Potter also reported that the USPS is "absolutely, positively Y2K ready."

KELLY PREDICTS HEAVY GROWTH IN USPS GROUND PARCELS

USPS Vice President of Expedited Package Services John Kelly told attendees of the April meeting of the Mailers Technical Advisory Committee (MTAC) that, in his opinion, ground parcels will be the largest single growth product for the USPS. Kelly predicted that the USPS will see 15-20% growth starting next year. He encouraged private industry to look at the USPS' strength—local delivery.

Responding to questions as to why the USPS' year-to-date revenue is below plan, Kelly stated that the USPS' plan for the first nine accounting periods is very aggressive, and is front-loaded, with the goal dropping by accounting periods 12 and 13. He stated that the USPS expects that revenue will come back as long as the economy does not take a dive. In Priority Mail, Kelly noted that the change in the last rate case that moved pieces weighing 11-13 ounces from the Priority Mail category to First-Class has had a negative impact on the revenue attributed to Priority Mail. He further reported that the USPS is reviewing its policy in providing Priority Mail packaging, stating that the program has gotten a bit out of control as Priority Mail volume is up only 7 percent this year, but USPS-provided Priority Mail packaging has increased 40%. Kelly said the USPS will not do away with this feature, but will put some restraints on it to make it worthwhile to the USPS, since its cost for Priority Mail packaging has increased from 5-6 cents per container to 21-22 cents.

Concerning the USPS "Parcel Select" product (formerly called Parcel Post), Kelly reported that the consolidator industry still is in its infancy in terms of offering destination delivery unit (DDU) drop ship services. When asked the Postal Service's strategy for fulfilling the needs of companies that market on the Internet, Kelly stated that personally he has one goal with the Internet and that is to contact the user for their shipping needs. He suggested that the Postal Service needs an advertising strategy for Internet users and to communicate with companies providing Internet services such as America Online and Netscape.

Kelly also reported that Standard Mail (A) may have the opportunity to be included in delivery confirmation in the future—both for individual pieces (parcels) and packages (bundles).

USPS EXTENDS POLYWRAP TEST TO SEPTEMBER 1999

The Postal Service at the April meeting of the Mailers Technical Advisory Committee (MTAC) announced that it will extend the limited test for Periodicals automation flats prepared in polywrap [see *AMMA Bulletins* 4-99 and 5-99] through September 30, 1999. The test previously was scheduled to conclude on April 20, 1999.

In addition to extending the test dates, the USPS made the following revisions to the test procedures:

The issue used for a publication's "Baseline Information" spreadsheet has been changed. Instead of using the most recent issue mailed prior to participation in the test, mailers must determine the issue date of the first mailing of the main subscriber file that will be mailed under the test, and provide baseline information for a



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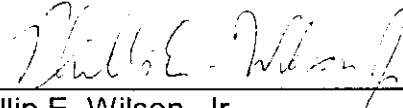
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Phillip E. Wilson, Jr.
Attorney for United Parcel Service

Dated: February 15, 2000
Philadelphia, Pa.

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